

ANNUAL REPORT

FIRST NATIONAL STORES

FOR THE YEAR ENDING MARCH 25, 1961



FIRST NATIONAL STORES INC.

OFFICERS

ADRIAN O'KEEFFE, *President*

REUBEN KAPLAN, *Treasurer*

BYRON M. FLEMMING, *Vice-President*

JOHN L. MACNEIL, *Vice-President*

EDMUND J. MURPHY, *Vice-President*

WILLIAM A. RYAN, *Secretary and Clerk*

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BYRON M. FLEMMING

REUBEN KAPLAN

JOHN L. MACNEIL

EDMUND J. MURPHY

JAMES J. O'HARE

ADRIAN O'KEEFFE

BERNARD M. O'KEEFFE

STEWART C. WOODWORTH

EXECUTIVE COMMITTEE

JOHN L. MACNEIL

EDMUND J. MURPHY

ADRIAN O'KEEFFE

TO THE STOCKHOLDERS OF FIRST NATIONAL STORES INC.:

Somerville, Massachusetts, June 5, 1961

Sales for the fiscal year ending March 25, 1961 were \$536,485,553, a new high. This was an increase of \$11,134,603 over sales of \$525,350,950 in the preceding fiscal year.

Earnings amounted to \$7,858,961, equal to \$4.80 a share, compared with \$8,222,725, or \$5.02 a share in the year ended March 26, 1960.

Dividends of \$2.50 a share were paid during the year and consisted of four quarterly payments of 50 cents a share and a year-end special dividend of 50 cents.

The following is a brief summary of our operations:

	For The Fiscal Year Ending	
	<i>March 25, 1961</i>	<i>March 26, 1960</i>
Retail store sales	\$536,485,553	\$525,350,950
Net earnings after taxes	\$ 7,858,961	\$ 8,222,725
Per share of common stock	\$ 4.80	\$ 5.02
Net working capital (current assets less current liabilities)	\$ 22,103,161	\$ 20,511,003
Fixed or property assets (less depreciation)	58,061,340	57,171,682
Stockholders' equity (net worth)	85,042,842	81,276,726

Included in this report are charts showing the results of our operations for the past thirty-five years. The chart on earnings per share gives effect, for all years, to the 2 for 1 stock split in 1951.



The Company's financial condition remained strong and there was no debt outstanding at the close of the year. Net expenditures for fixed assets during the year were \$9,766,607. Working capital was \$22,103,161, as compared with \$20,511,003 in the prior year. Stockholders' equity continued to rise and reached a record level of \$85,042,842, an increase of \$3,766,116 over the prior year.

In the competitive field of food retailing, constant modernization of existing stores and development of new units is essential. During the year, 21 stores were opened and 12 were remodeled or enlarged. 39 stores were closed, among them 10 inadequate supermarkets. At the close of the year your Company was operating 516 stores, of which 360 were supermarkets and represented 94% of total sales.

We have continued to study methods of increasing the efficiency of our distribution centers. The realignment of the distribution functions at Somerville, Massachusetts, mentioned in last year's report, continued. This project commenced with the transfer of the grocery operation to the building, adjacent to our Somerville Plant, purchased in 1958. During the fiscal year, the fresh fruit and vegetable operation was relocated in space previously devoted to grocery storage and selection. This made it possible to combine the shipping of fruits and vegetables with certain other perishable items for greater efficiency. The building which formerly housed the fresh fruit and vegetable operation has been sold.

Our expanding operations in New York, New Jersey and Western Connecticut have for some time taxed the capacity of our distribution center at East Hartford, Connecticut, and our warehouse at Bridgeport, Connecticut. Consequently, the Company has assembled a twenty-seven acre tract of land in Port Chester, New York, on which will be erected a distribution center to serve new and existing stores in this area. Plans for the project are now being drawn.

At the close of the preceding fiscal year on March 26, 1960, the Company was experiencing a declining sales volume and reported sales which were slightly below those of a year earlier. This trend continued into the new fiscal year and it was decided that the merchandising activities of the Company, which have always been vigorous, had to be intensified further. In addition to continuing its regular and special promotions, the Company embarked upon a variety of new sales programs. During the second quarter of the fiscal year, the Company inaugurated a pilot operation with S. & H. trading stamps in a number of stores in Southern Connecticut and New York. At the end of the fiscal year, the Company was issuing and aggressively merchandising trading stamps in most of the stores in three of its four divisions.

As a result of these various programs, the trend was reversed and sales for the final quarter of the year were the highest for any quarter in the history of the Company.

In a number of the stores that have been opened recently, a cooked foods department, including such items as delicatessen, barbecued foods and hot pies, has been added to cater to the ever-growing consumer demand for convenience foods. A customer can purchase a chicken hot off the barbecue spit or a baked stuffed lobster. Such departments have proved to be popular with shoppers and will be incorporated into many of our existing and future stores.

During the present fiscal year, aggressive merchandising and store expansion programs will continue both in our existing area of operations and in adjacent areas. A minimum of twenty-five new stores are planned for opening in the current year. Other units will be remodeled and enlarged. By the end of the present fiscal year, the Company will be serving consumers in several new communities where it has not previously been represented.

Many factors contributed to the record sales achieved during the past year. Not the least of these was the wholehearted cooperation of the men and women in the First National Stores family. To them we express our appreciation.

ADRIAN O'KEEFFE,
President





Retail Stores Sales — Fiscal Years

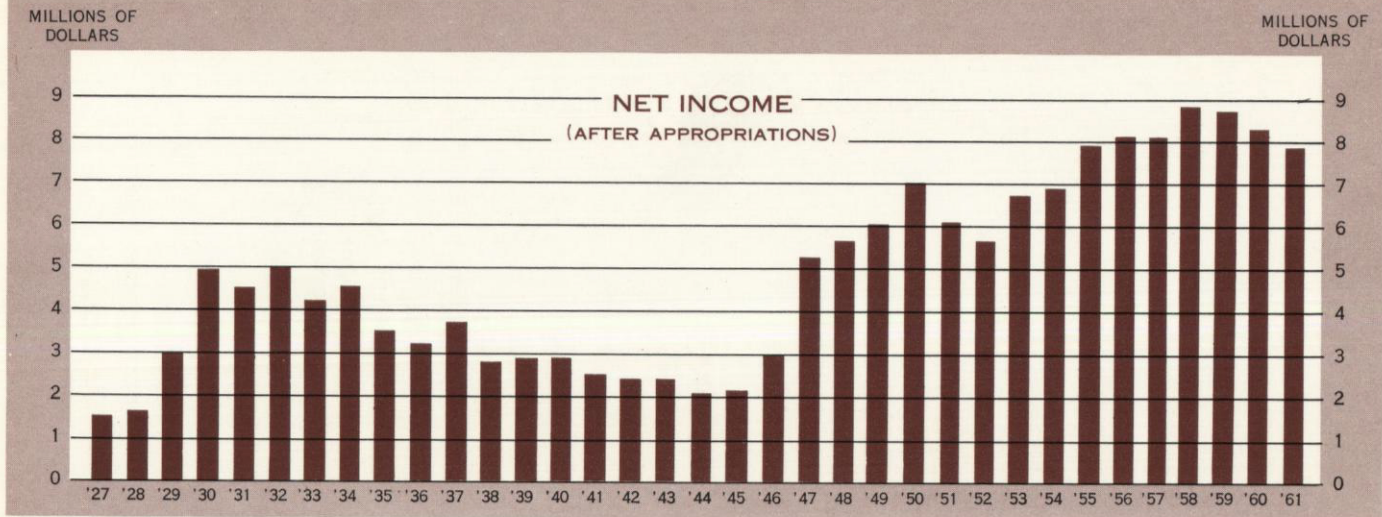
1927	\$ 59,038,304	1933	\$100,892,947	1938	\$124,294,617	1944	\$164,924,978	1950	\$344,171,022	1956	\$491,667,908
1928	64,445,962	1934	105,812,781	1939	124,222,955	1945	170,236,678	1951	371,853,140	1957	507,361,437
1929	75,884,639	1935	111,323,463	1940	131,041,157	1946	182,131,241	1952	406,773,153	1958	521,494,993
1930	107,635,216	1936	119,575,417	1941	142,680,921	1947	256,506,910	1953	424,521,672	1959	531,521,108
1931	108,196,686	1937	120,682,961	1942	174,378,932	1948	315,915,554	1954	442,180,165	1960	525,350,950
1932	107,634,383			1943	187,839,592	1949	354,444,614	1955	470,628,572	1961	536,485,553



Stores — Fiscal Years

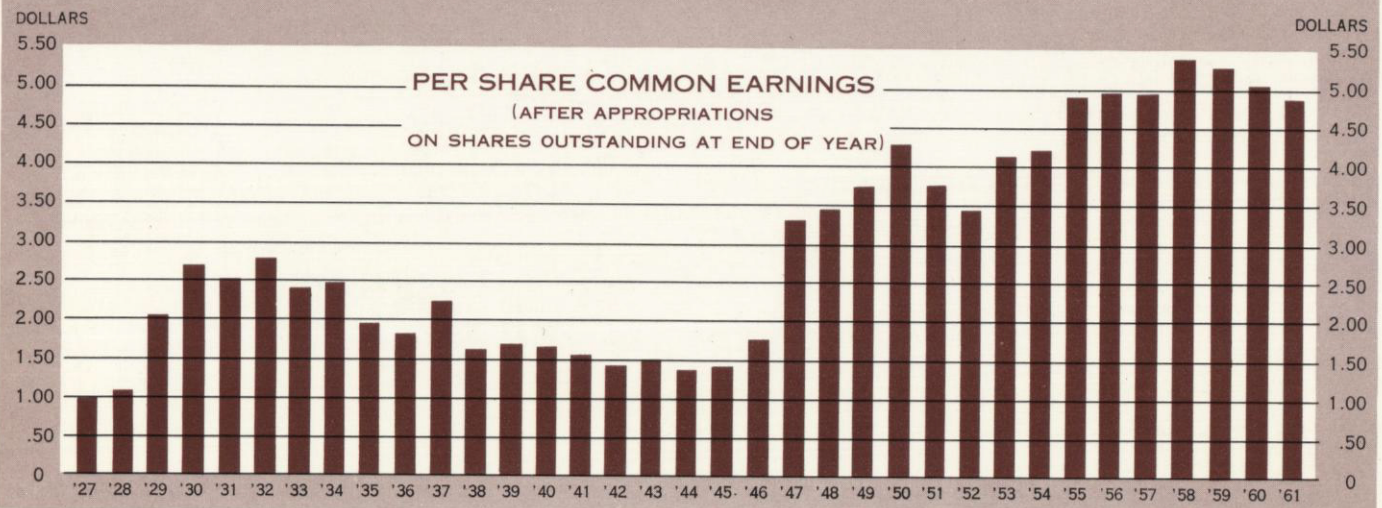
1927	1681	1933	2705	1938	2350	1944	1463	1950	1033	1956	661
1928	1717	1934	2653	1939	2244	1945	1340	1951	979	1957	607
1929	2002	1935	2623	1940	2137	1946	1236	1952	922	1958	575
1930	2549	1936	2556	1941	1923	1947	1201	1953	847	1959	543
1931	2548	1937	2473	1942	1748	1948	1150	1954	761	1960	534
1932	2546			1943	1585	1949	1083	1955	702	1961	516





Net Income — Fiscal Years

1927	\$1,492,193	1933	\$4,220,099	1938	\$2,705,191	1944	\$2,235,104	1950	\$6,997,980	1956	\$8,071,326
1928	1,593,358	1934	4,394,830	1939	2,774,366	1945	2,294,604	1951	6,134,530	1957	8,039,041
1929	2,904,884	1935	3,433,504	1940	2,739,074	1946	2,885,555	1952	5,571,415	1958	8,799,277
1930	4,773,446	1936	3,163,329	1941	2,508,719	1947	5,357,235	1953	6,742,051	1959	8,649,288
1931	4,479,108	1937	3,647,001	1942	2,380,294	1948	5,629,705	1954	6,830,629	1960	8,222,725
1932	4,825,611			1943	2,465,079	1949	5,905,880	1955	7,968,619	1961	7,858,961



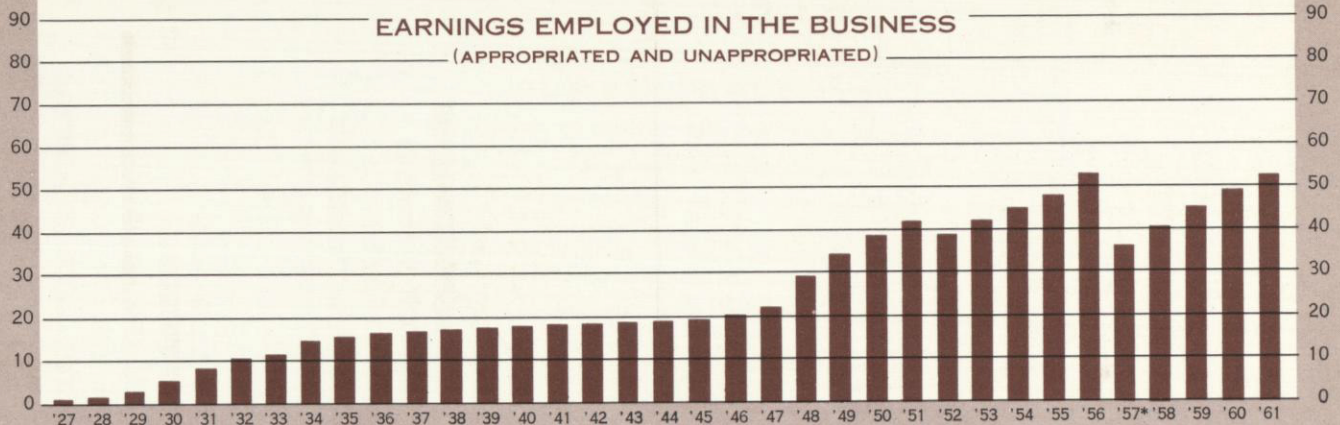
Per Share Common — Fiscal Years

1927	\$0.96	1933	\$2.39	1938	\$1.57	1944	\$1.36	1950	\$4.27	1956	\$4.93
1928	1.04	1934	2.48	1939	1.69	1945	1.40	1951	3.74	1957	4.91
1929	2.04	1935	1.95	1940	1.67	1946	1.76	1952	3.40	1958	5.37
1930	2.69	1936	1.82	1941	1.53	1947	3.27	1953	4.11	1959	5.28
1931	2.52	1937	2.12	1942	1.45	1948	3.43	1954	4.17	1960	5.02
1932	2.76			1943	1.51	1949	3.61	1955	4.86	1961	4.80



MILLIONS OF DOLLARS

MILLIONS OF DOLLARS



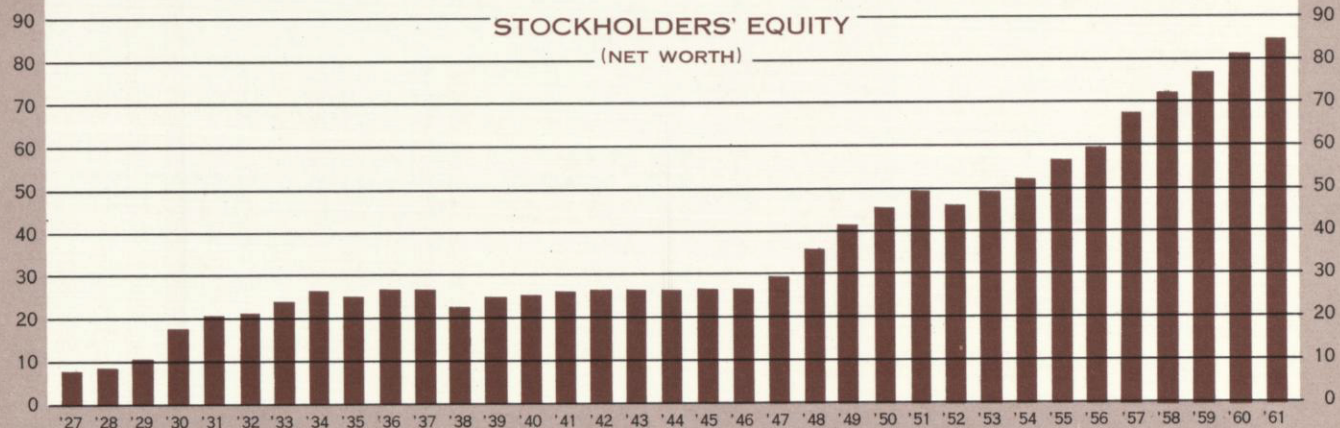
Earnings Employed in the Business — Fiscal Years

1927	\$ 1,996,375	1933	\$12,666,672	1938	\$16,688,036	1944	\$19,496,819	1950	\$38,483,159	1956	\$53,135,847
1928	2,238,303	1934	14,213,494	1939	17,423,131	1945	19,745,003	1951	41,752,697	1957	36,463,268*
1929	3,987,782	1935	15,121,448	1940	18,112,565	1946	20,334,138	1952	39,604,479	1958	41,169,700
1930	6,369,726	1936	16,062,827	1941	18,572,964	1947	23,235,669	1953	41,807,095	1959	45,726,143
1931	8,371,910	1937	16,670,118	1942	18,889,476	1948	29,189,624	1954	44,954,164	1960	49,856,023
1932	10,816,321			1943	19,308,135	1949	34,350,171	1955	48,993,652	1961	53,622,139

*Transferred \$25,000,000 to Common Stock Account

MILLIONS OF DOLLARS

MILLIONS OF DOLLARS



Stockholders' Equity — Fiscal Years

1927	\$ 8,723,782	1933	\$24,644,049	1938	\$23,746,089	1944	\$26,233,098	1950	\$45,219,438	1956	\$59,872,126
1928	8,965,710	1934	26,190,916	1939	24,216,168	1945	26,481,282	1951	48,488,976	1957	67,883,971
1929	11,724,410	1935	24,820,470	1940	24,874,883	1946	27,070,417	1952	46,340,758	1958	72,590,403
1930	18,347,148	1936	25,761,849	1941	25,293,286	1947	29,971,948	1953	48,543,374	1959	77,146,846
1931	20,349,333	1937	26,369,140	1942	25,625,755	1948	35,925,903	1954	51,690,443	1960	81,276,726
1932	22,793,743			1943	26,044,414	1949	41,086,450	1955	55,729,931	1961	85,042,842



FIRST NATIONAL STORES INC.

BALANCE SHEET

ASSETS

	MARCH 25 1961	MARCH 26 1960
CURRENT ASSETS:		
Cash	\$ 15,800,255	\$ 14,027,945
Accounts receivable	2,780,507	1,559,559
Inventories, on last-in, first-out cost basis, which is below market	33,519,761	29,149,794
Total current assets	\$ 52,100,523	\$ 44,737,298
 FIXED ASSETS, at cost (excluding fully-depreciated assets):		
Land	\$ 9,299,509	\$ 8,180,891
Buildings owned	37,596,910	36,609,485
Store fixtures, leased property improvements, machinery and equipment	61,510,795	57,040,436
Automotive equipment	4,053,486	3,501,411
	\$112,460,700	\$105,332,223
<i>Less — Depreciation</i>	54,399,360	48,160,541
	\$ 58,061,340	\$ 57,171,682
 OTHER ASSETS AND DEFERRED CHARGES:		
Investment in and advances to wholly-owned subsidiary companies — at cost (represented by underlying net assets of \$1,441,417 in 1961, \$1,451,663 in 1960)	\$ 655,828	\$ 655,828
Prepaid insurance and other deferred expenses	3,750,206	2,714,456
Miscellaneous	472,307	223,757
	\$ 4,878,341	\$ 3,594,041
	\$115,040,204	\$105,503,021



FIRST NATIONAL STORES INC.

BALANCE SHEET

LIABILITIES

	MARCH 25 1961	MARCH 26 1960
CURRENT LIABILITIES:		
Accounts payable	\$ 18,908,893	\$ 12,742,850
Owing to subsidiary companies	35,044	134,402
Accrued local and state taxes and other expenses	6,793,525	6,715,198
Federal income taxes	4,259,900	4,633,845
Total current liabilities	\$ 29,997,362	\$ 24,226,295

STOCKHOLDERS' EQUITY:

Common stock:		
Authorized — 2,000,000 shares without par value		
Issued — 1,655,268 shares	\$ 31,977,422	\$ 31,977,422
Earnings employed in the business, other than amounts transferred to common stock account	53,622,139	49,856,023
	\$ 85,599,561	\$ 81,833,445
<i>Less</i> — Issued common stock held in treasury — 18,114 shares, at cost	556,719	556,719
Total stockholders' equity	\$ 85,042,842	\$ 81,276,726
	\$115,040,204	\$105,503,021

ACCOUNTANTS' OPINION

TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF FIRST NATIONAL STORES INC.

In our opinion, the accompanying balance sheet and statements of earnings and earnings employed in the business present fairly the financial position of First National Stores Inc. at March 25, 1961 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

PRICE WATERHOUSE & CO.

Boston, Massachusetts
May 17, 1961



FIRST NATIONAL STORES INC.

STATEMENT OF EARNINGS

	YEAR ENDED	
	MARCH 25, 1961	MARCH 26, 1960
Income:		
Retail store sales	\$536,485,553	\$525,350,950
Dividends received from wholly-owned subsidiary companies (net earnings for the year — \$96,754 in 1961, \$103,995 in 1960)	107,000	128,000
Other income	49,234	43,458
	<u>\$536,641,787</u>	<u>\$525,522,408</u>
Costs and expenses:		
Cost of sales, expenses, etc., exclusive of depreciation	\$511,919,570	\$499,073,164
Provision for depreciation of fixed assets (Note 1)	9,517,257	9,410,714
Interest expense	116,307	298,693
Net loss (gain) on disposal of fixed assets	(640,308)	67,112
Provision for federal income taxes	7,870,000	8,450,000
	<u>\$528,782,826</u>	<u>\$517,299,683</u>
Net earnings	<u>\$ 7,858,961</u>	<u>\$ 8,222,725</u>

STATEMENT OF EARNINGS EMPLOYED IN THE BUSINESS

	YEAR ENDED MARCH 25, 1961
Balance, March 26, 1960	\$ 49,856,023
Net earnings	7,858,961
	<u>\$ 57,714,984</u>
Cash dividends paid — \$2.50 per share	4,092,845
Balance, March 25, 1961	<u>\$ 53,622,139</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 1: In addition to depreciation provided on the straight-line method for depreciable fixed assets acquired prior to March 28, 1954 and on the sum of the years-digits method for assets acquired thereafter, as permitted and used for federal income tax purposes, the company has continued to provide and charge earnings with additional accelerated depreciation on store buildings, computed on a basis which is related to estimated fair rental values. Such additional accelerated depreciation amounted to \$529,223 in 1961 and \$548,792 in 1960 and is not currently deductible for federal income tax purposes.

NOTE 2: At March 25, 1961 the company was obligated under 209 store leases expiring more than three years after that date. The aggregate of the minimum annual rentals under these leases (exclusive of additional rentals based on sales and payment of real estate taxes) is approximately \$4,515,000. The aggregate amount of store rentals charged to earnings for the 1961 fiscal year was approximately \$5,630,000, including additional rentals based on sales and payments of real estate taxes.



Geographical Distribution
of
516 FIRST NATIONAL STORES



TRANSFER AGENTS: THE FIRST NATIONAL BANK OF BOSTON, BOSTON
CHEMICAL BANK NEW YORK TRUST COMPANY

REGISTRARS: STATE STREET BANK AND TRUST CO., BOSTON
BANKERS TRUST CO., NEW YORK, NEW YORK

